

## Fiscal Estimate - 2011 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

<b>LRB Number</b> <b>11-1901/2</b>	<b>Introduction Number</b> <b>AB-0014 (JR1)</b>	
<b>Description</b> Regulation of telecommunications utilities and alternative telecommunications utilities; telecommunications provider of last-resort obligations; telecommunications intrastate switched access rates; interconnected voice over Internet protocol service; and use of transmission equipment and property by video service providers		
<b>Fiscal Effect</b>  <b>State:</b> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input checked="" type="checkbox"/> No State Fiscal Effect  <input type="checkbox"/> Indeterminate  <div style="display: flex;"> <div style="width: 50%;"> <input type="checkbox"/> Increase Existing Appropriations  <input type="checkbox"/> Decrease Existing Appropriations  <input type="checkbox"/> Create New Appropriations                         </div> <div style="width: 50%;"> <input type="checkbox"/> Increase Existing Revenues  <input type="checkbox"/> Decrease Existing Revenues                         </div> </div> </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget  <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Yes                             <input type="checkbox"/> No                         </div> <input type="checkbox"/> Decrease Costs                     </div> </div> <b>Local:</b> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs  <input type="checkbox"/> Indeterminate  <div style="display: flex;"> <div style="width: 50%;">                         1. <input type="checkbox"/> Increase Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                          2. <input type="checkbox"/> Decrease Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                     </div> <div style="width: 50%;">                         3. <input type="checkbox"/> Increase Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                          4. <input type="checkbox"/> Decrease Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                     </div> </div> </div> <div style="width: 33%;"> <b>5. Types of Local Government Units Affected</b>  <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> Towns  <input type="checkbox"/> Counties  <input type="checkbox"/> School Districts                         </div> <div style="width: 33%;"> <input type="checkbox"/> Village  <input type="checkbox"/> Others  <input type="checkbox"/> WTCS Districts                         </div> <div style="width: 33%;"> <input type="checkbox"/> Cities  <input type="checkbox"/> </div> </div> </div> </div>		
<div style="display: flex; justify-content: space-between;"> <div> <b>Fund Sources Affected</b>  <input type="checkbox"/> GPR   <input type="checkbox"/> FED   <input type="checkbox"/> PRO   <input type="checkbox"/> PRS   <input type="checkbox"/> SEG   <input type="checkbox"/> SEGS                     </div> <div> <b>Affected Ch. 20 Appropriations</b> </div> </div>		
<b>Agency/Prepared By</b> DOR/ Daniel Huegel (608) 266-5705	<b>Authorized Signature</b> Paul Ziegler (608) 266-5773	<b>Date</b> 5/2/2011

## **Fiscal Estimate Narratives**

**DOR 5/2/2011**

LRB Number	11-1901/2	Introduction Number	AB-0014	Estimate Type	Original
		(JR1)			
<b>Description</b>					
Regulation of telecommunications utilities and alternative telecommunications utilities; telecommunications provider of last-resort obligations; telecommunications intrastate switched access rates; interconnected voice over Internet protocol service; and use of transmission equipment and property by video service providers					

### **Assumptions Used in Arriving at Fiscal Estimate**

The Department of Revenue (DOR) administers three taxes affecting telecommunications companies: (1) a police and fire protection fee, (2) an ad valorem tax on the value of telecommunications' companies property, and (3) the corporate income tax. Since the proposal does not change any of these, the bill will not affect state tax collections.

### **Long-Range Fiscal Implications**



## Fiscal Estimate Narratives

PSC 5/2/2011

LRB Number	11-1901/2	Introduction Number	AB-0014 (JR1)	Estimate Type	Original
<b>Description</b> Regulation of telecommunications utilities and alternative telecommunications utilities; telecommunications provider of last-resort obligations; telecommunications intrastate switched access rates; interconnected voice over Internet protocol service; and use of transmission equipment and property by video service providers					

### Assumptions Used in Arriving at Fiscal Estimate

The impact of the proposed legislation on the activities and operational costs of the Commission is indeterminate. The fiscal impact is dependent in part on whether Broadband mapping and planning activities at the Commission continue. Broadband mapping/planning comprises a significant and growing portion of Commission activities in the telecommunications area mitigating potential reductions, under the bill, to other Commission activities.

The proposed legislation eliminates price regulation, alternative regulation, rate case activities and some investigational activities at the Commission. The bill maintains Commission authority over wholesale, inter-carrier relations and interconnection agreements. Although activities in these areas have grown significantly in the past 15 years, ongoing efforts and estimated growth in this general area do not offset the bill's impact of reducing some traditional regulatory activities and responsibilities. New activities under the bill to process telecommunications providers' requests for re-certifications and to monitor the phase down of switched access charges could offset the bill's impact in the short term, but the long-term impact of the bill, not accounting for Broadband mapping/planning activities, is a reduction to Commission activities.

In FY 2010 the Commission directly charged telecommunication utilities \$418,500 for their requests to the Commission to act on a regulatory issue. Under the bill, these direct assessments could decrease approximately \$106,000. FY 2010 costs in the telecommunications area, not covered with direct assessments, totaled \$944,300. These costs which are covered under the remainder assessment include costs for Broadband mapping/planning, administering assessments, administering the USF, administering interconnection agreements and wholesale issues, overseeing numbering matters, addressing consumer inquiries and handing other administrative dockets. It is possible the bill could reduce costs related to administrative dockets and consumer inquiries, but the potential impact to the remainder assessment is difficult to predict. The total amount of the remainder assessment depends, in large part, on Commission activities in the Gas and Energy area, due to its size. As the largest Division at the Commission, it is Gas and Energy costs charged to the remainder assessment that drives the total amount of the assessment.

It is estimated that Broadband mapping/planning activities could offset the potential \$106,000 reduction under the bill to costs charged directly to telecommunications providers. Although the proposed bill eliminates Commission regulatory authority in the area of advanced service (generally Broadband), the Commission has legislative approval, through an earlier s. 13.10 action, to complete two years of a five-year Broadband mapping/planning project funded by the National Telecommunications and Information Administration (NTIA). The two-year period ends October 31, 2011. Activities and funding for years three through five, which include activities to create state capacity to continue Broadband mapping, planning and coordination activities after the close of the federal grant, have not yet been approved. It is assumed that the proposed bill would not remove the Commission's current legislative approval of Broadband mapping/planning activities (which are not regulatory in nature). But it is unclear if and when legislative approval of the remainder of the NTIA grant (such as through an s. 13.10 action) will be provided.

The Commission's federal Broadband grant totals \$4,540,200 (FED) with \$1,135,100 in state match. Years one and two total \$1,717,700 (FED) with \$429,400 in state match; years three through five total \$2,822,500 (FED) with \$705,700 in state match. Current Commission activities associated with the Broadband grant represent approximately \$215,000 in costs. In grant years three through five Commission activities associated with Broadband could increase to \$371,200. It is estimated that on-going workload after the close of the grant to ensure the project continues will total approximately \$260,000 to \$300,000. Potential on-going workload assumes 50% to 65% of workload performed by project staff during the grant period will be reallocated to state staff to ensure the project continues after the close of the grant. If continuing authority

for Broadband mapping activities is provided, and there are no other changes to Commission activities, the ongoing activities could offset an estimated \$85,000 (80%) of the potential \$106,000 reduction in operations due to the proposed legislation. If continuing authority is not provided, then the impact of this proposed bill is an estimated 7% reduction to Commission activities in the telecommunications area.

The proposed bill does not impact total assessment amounts for telecommunications-related annual assessments or Commission activities to collect telecommunications-related annual assessments, such as the Universal Service Fund and the Police and Fire Protection Fee. In addition, the bill does not modify telecommunication providers' obligation to pay the remainder assessment or Commission activities to collect the remainder assessment. Although annual reports for telecommunications providers are no longer mandated, the bill maintains Commission authority to collect information in a timely manner to adequately process assessments. Telecommunications-related annual assessments, excluding the remainder assessment, totaled \$97 million in FY 10.

The bill could impact the total amount spent in the Universal Service Fund (USF) program, but the net impact of the bill on USF expenditures is difficult to predict. Expenditures could increase if the bill's deregulation of retail telecommunications services results in higher telecommunication rates for consumers. Higher rates could increase demand for USF funds under existing formulae in the USF rules. Increased USF expenditures could require an increase in the USF appropriation or a future curtailment of USF programs. Alternatively, expenditures could decrease if the bill results in lower telecommunications rates for consumers.

USF expenditures could also decrease under the bill due to a proposed restriction on the use of USF funds in grants provided to non-profit organizations. Currently, the Commission awards several grants to non-profits for providing internet access in community centers or assisted living facilities. Because the USF mandate no longer includes advanced service capabilities, the Commission may no longer be able to provide grant funding to non-profits for providing internet access. It is unclear if this restriction would result in a lower amount of grant funding being awarded or just a narrowing of grant activities allowable under the bill.

The impact of the voluntary tariffs provisions in the proposed legislation is indeterminate. Making tariffs voluntary is not likely to eliminate utilities' requests for tariff filings and reviews. There are business reasons for a utility to request the Commission review, and place on file, a tariff. The impact of this change on Commission activities is dependent on utilities' response to the bill.

### **Long-Range Fiscal Implications**

The long range fiscal effect of the proposed legislation is indeterminate as described above.